

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS

JUNE 30, 2012

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

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JUNE 30, 2012

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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Lundell	Board Chair	December 2013
Tom Salm	Vice Chair	December 2012
Lonny Pulkrabek	Member	December 2012
Dave Wilson	Member	December 2012
Janelle Rettig	Member	December 2013
Tom Markus	Member	December 2013
Susan Mims	Member	December 2013

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Joint Emergency Communications  
Services Association of Johnson County, Iowa Policy Board

We have audited the accompanying financial statements of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the Association's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Joint Emergency Communications Services Association of Johnson County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Joint Emergency Communications Services Association of Johnson County, Iowa are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Johnson County, Iowa that is attributable to the transactions of the Association. They do not purport to, and do not, present fairly the financial position of Johnson County, Iowa, as of June 30, 2012, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2013 on our consideration of the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 17, 2013

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Joint Emergency Communications Services Association of Johnson County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

## 2012 FINANCIAL HIGHLIGHTS

- Government wide revenues increased \$293,886 in the current year primarily due to an increase in property tax revenue.
- Government wide expenses increased \$376,860 in the current year primarily due to an increase in contractual services.
- Net assets decreased \$2,901,108 from \$20,077,376 to \$17,176,268.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the Association as a whole and present an overall view of the Association's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the Association's operations in more detail than the entity-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## REPORTING THE ASSOCIATION'S FINANCIAL ACTIVITIES

### *Entity-wide Financial Statements*

One of the most important questions asked about the Association's finances is, "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the Association's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the Association's net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Activities presents information showing how the Association's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Association's government activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services. Property taxes finance most of these activities.

## Fund Financial Statements

The Association has one type of fund:

Governmental funds account for all of the Association's basic services. These focus on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Association's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Association's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Association's net assets decreased from a year ago, decreasing from \$20,077,376 at June 30, 2011 to \$17,176,268 at June 30, 2012. The analysis that follows focuses on the Association's net assets at June 30, 2012 and 2011.

	<u>Statements of Net Assets</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current assets	\$ 4,864,628	\$ 5,371,158
Long-term assets	<u>15,777,987</u>	<u>17,825,123</u>
Total assets	<u>20,642,615</u>	<u>23,196,281</u>
Short term liabilities	<u>3,466,347</u>	<u>3,118,905</u>
Net assets	\$ <u>17,176,268</u>	\$ <u>20,077,376</u>

The net assets of the Association's governmental activities decreased \$2,901,108 during the year, primarily due to depreciation expense. The following analysis details the changes in net assets resulting from the Association's activities during the years ended June 30, 2012 and 2011.

	<u>Change in Net Assets</u>	
	<u>Year ended</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Program revenues:		
Operating grants, contributions and restricted interest	\$ 23,780	\$ 101,220
General revenues:		
Property tax	2,662,570	2,283,364
Other revenue	<u>9,302</u>	<u>17,182</u>
Total revenue	<u>2,695,652</u>	<u>2,401,766</u>
Program expenses:		
Public safety and legal services	<u>5,596,760</u>	<u>5,219,900</u>
Total expenses	<u>5,596,760</u>	<u>5,219,900</u>
Change in net assets	(2,901,108)	(2,818,134)
Net assets beginning of year	<u>20,077,376</u>	<u>22,895,510</u>
Net assets end of year	\$ <u>17,176,268</u>	\$ <u>20,077,376</u>

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

The Association maintains one fund which is shown as a major fund. During the year ended June 30, 2012, net assets decreased \$873,350, from \$2,332,356 to \$1,459,006. The current year decrease is similar to that of the prior year.

### **CAPITAL ASSETS**

At June 30, 2012, the Association had \$15,777,987 invested in capital assets, net of accumulated depreciation of \$4,088,613. This is a net decrease of \$2,047,136, compared to the prior year. Depreciation charges totaled \$2,047,136 for fiscal year 2012. More detailed information about the Association's capital assets is presented in Note 4 to the Financial Statements.

### **ECONOMIC FACTORS**

The Joint Emergency Communications Services Association of Johnson County, Iowa hopes to improve its financial position during the coming fiscal year. However, the current condition of the economy in the State continues to be a concern for Association officials. Some of the realities that may potentially become challenges for the Association to meet are:

The Association's system requires constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.

The Association anticipates the current fiscal year will be much like the last and we will maintain a close watch over resources to maintain our ability to react to unknown issues.

### **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers and creditors of Johnson County, Iowa with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Jones, Director, 4529 Melrose Avenue, Iowa City, Iowa 52246.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities
<u>ASSETS:</u>	
Cash and pooled investments	\$ 1,549,679
Receivables:	
Property tax:	
Succeeding year	3,161,961
Accounts	136
Prepaid expenses	152,852
Capital assets (net of accumulated depreciation)	<u>15,777,987</u>
TOTAL ASSETS	<u>20,642,615</u>
<u>LIABILITIES:</u>	
Accounts payable	154,224
Salaries and benefits payable	89,437
Deferred revenue:	
Succeeding year property tax	3,161,961
Long-term liabilities:	
Portion due and payable within one year:	
Compensated absences	<u>60,725</u>
TOTAL LIABILITIES	<u>3,466,347</u>
<u>NET ASSETS:</u>	
Invested in capital assets	15,777,987
Unrestricted	<u>1,398,281</u>
TOTAL NET ASSETS	\$ <u>17,176,268</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		Operating Grants, Contributions and Restricted Interest	
Governmental activities:			
Public safety and legal services	\$ 5,596,760	\$ 23,780	\$ (5,572,980)
Total	\$ 5,596,760	\$ 23,780	(5,572,980)
General revenues:			
Property and other County tax			2,662,570
Unrestricted investment earnings			5,003
Miscellaneous			4,299
Total general revenues			2,671,872
Change in net assets			(2,901,108)
Net assets - Beginning of year			20,077,376
Net assets - End of year			\$ 17,176,268

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

ASSETS

Cash and pooled investments	\$ 1,549,679
Receivables:	
Property tax:	
Succeeding year	3,161,961
Accounts	136
Prepaid expenses	<u>152,852</u>
TOTAL ASSETS	\$ <u>4,864,628</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES:</u>	
Accounts payable	\$ 154,224
Salaries and benefits payable	89,437
Deferred revenue:	
Succeeding year property tax	<u>3,161,961</u>
TOTAL LIABILITIES	<u>3,405,622</u>

<u>FUND BALANCES:</u>	
Nonspendable:	
Prepaid expenditures	152,852
Unassigned	<u>1,306,154</u>
Total fund balances	<u>1,459,006</u>

TOTAL LIABILITIES AND FUND BALANCES	\$ <u>4,864,628</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

Total governmental fund balances	\$ 1,459,006
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$19,866,600 and the accumulated depreciation is \$4,088,613.	15,777,987
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(60,725)</u>
Net assets of governmental activities	\$ <u>17,176,268</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

REVENUES:

Property and other County tax	\$ 2,662,570
Intergovernmental	23,780
Use of money and property	5,003
Miscellaneous	<u>4,299</u>
Total revenues	<u>2,695,652</u>

EXPENDITURES:

## Current:

Public safety and legal services	<u>3,569,002</u>
Total expenditures	<u>3,569,002</u>

Net change in fund balances	(873,350)
Fund balances - Beginning of year	<u>2,332,356</u>
Fund balances - End of year	\$ <u>1,459,006</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

Net change in fund balances - Total governmental funds \$ (873,350)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded expenditures in the current year as follows:

Depreciation expense (2,047,136)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences 19,378

Change in net assets of governmental activities \$ (2,901,108)

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Joint Emergency Communications Services Association of Johnson County, Iowa is established under Chapter 29(c) of the Code of Iowa. The goal of the Association is to provide all residents of Johnson County a single answering point for processing their calls for emergency and non-emergency assistance for police, fire, medical and general service responders and to provide primary communications for all public safety agencies responding within our jurisdictional boundaries, through use of 2-way radios, telephones, and/or teletype equipment. The Association is primarily funded by property taxes.

A Policy Board with a minimum of seven citizens from Johnson County governs the Joint Emergency Communications Services Association of Johnson County, Iowa.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Joint Emergency Communications Services Association of Johnson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the Association. Governmental activities are primarily supported by property tax.

The Statement of Net Assets present the Association's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Association has only one fund and it is reported as a major fund.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Association considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Association.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, The Joint Emergency Communications Services Association of Johnson County, Iowa's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

The succeeding year property tax receivable represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include land, buildings and equipment are reported in the governmental activities column in the entity-wide Statement of Net Assets. Capital assets are defined by the Association as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Land improvements	20
Machinery and equipment	3-10

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (continued)

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Policy Board by resolution. Committed amounts cannot be used for any other purpose unless the Policy Board removes or changes the specified use by taking the same action employed to commit those amounts.

Assigned – Amounts the Policy Board intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND POOLED INVESTMENTS

The Association's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The Association's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Association.

NOTE 3: RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance in the past two fiscal years.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 50,125	\$ -	\$ -	\$ 50,125
Total capital assets not being depreciated	50,125	-	-	50,125
Capital assets being depreciated:				
Buildings	5,142,716	-	-	5,142,716
Land improvements	9,533	-	-	9,533
Equipment	14,664,226	-	-	14,664,226
Total capital assets being depreciated	19,816,475	-	-	19,816,475
Less accumulated depreciation for:				
Buildings	128,568	128,568	-	257,136
Land improvements	477	477	-	954
Equipment	1,912,432	1,918,091	-	3,830,523
Total accumulated depreciation	2,041,477	2,047,136	-	4,088,613
Total capital assets being depreciated, net	17,774,998	(2,047,136)	-	15,727,862
Governmental activities capital assets, net	\$ 17,825,123	\$ (2,047,136)	\$ -	\$ 15,777,987

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ 2,047,136

NOTE 5: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Compensated Absences
Balance – Beginning of year	\$ 80,103
Increases	60,725
Decreases	(80,103)
Balance – End of year	\$ 60,725
Due within one year	\$ 60,725

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 6: PENSION AND RETIREMENT BENEFITS

The Association contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the Association is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the Association contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The Association's contribution to IPERS for the years ended June 30, 2012 and 2011 were \$131,341 and \$99,873, respectively, equal to the required contributions for each year.

NOTE 7: OPERATING LEASES

The Joint Emergency Communications Services Association of Johnson County, Iowa has leased various sites. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. The leases have various expiration dates and require various monthly and annual rentals. Certain leases are renewable for additional periods. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Minimum Rental</u> <u>Payments</u>
2013	\$ 4,500
2014	4,500
2015	<u>2,500</u>
Total	\$ <u>11,500</u>

Total rental expense for the year ended June 30, 2012 for all operating leases was \$31,545.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 17, 2013, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Members of the Joint Emergency Communications  
Services of Johnson County, Iowa Policy Board

We have audited the accompanying financial statements of the governmental activities and each major fund of the Joint Emergency Communications Services of Johnson County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the Association's basic financial statements listed in the table of contents, and have issued our report thereon dated February 17, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The Management of the Joint Emergency Communications Services Association of Johnson County, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Joint Emergency Communications Services of Johnson County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Joint Emergency Communications Services of Johnson County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Joint Emergency Communications Services of Johnson County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint Emergency Communications Services of Johnson County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

The Joint Emergency Communications Services of Johnson County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Association's responses, we did not audit the Joint Emergency Communications Services Association of Johnson County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees of the Joint Emergency Communications Services Association of Johnson County, Iowa and citizens of Johnson County, Iowa and other parties to whom the Joint Emergency Communications Services Association of Johnson County, Iowa may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Joint Emergency Communications Services Association of Johnson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 17, 2013

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Internal Control Deficiencies:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that several accounting functions are all done by the same person

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Association should review its internal control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, and Board members.

Response – We will review procedures and make changes to improve internal control.

Conclusion – Response accepted.

- (B) Payroll Approval – During the audit, it was determined that the Board does not approve the payment of payroll.

Recommendation – The Board should approve the payment of payroll at their monthly meetings.

Response – We will consider this.

Conclusion – Response accepted.

- (C) Bond Coverage – The Association does not currently have any surety bond coverage on any employees or officials.

Recommendation – The Code of Iowa requires surety bond coverage for certain employees and/or officials. The Association should consult their attorney to determine who should be covered and the amount of bond required, and obtain surety bond coverage.

Response – We will do so.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.